

# **8<sup>th</sup> International Regulation Conference**



## **Board Governance**

**Workshop Session 2a  
Sunday, June 3, 2007**

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# Workshop Objectives

- Insight on Principles Exceptional Board Governance
- Provide Inventory Successful Board Governance Practices
- Provide Tools To Identify Impediments to Effective Governance
- Explore Ways Measure Governance Effectiveness

# What is Governance & Why Does it Matter?

- Governance principles are common across the public, private & non profit sectors

(Honorable Bob Rae)

- Growing awareness governance may have determining factor on public protection outcomes

(Honorable Bob Rae)

- Therefore, Board leaders must understand major building blocks of an effective board

( Vernetta Walker, BoardSource)

# Google Search Governance Hits

May 2007

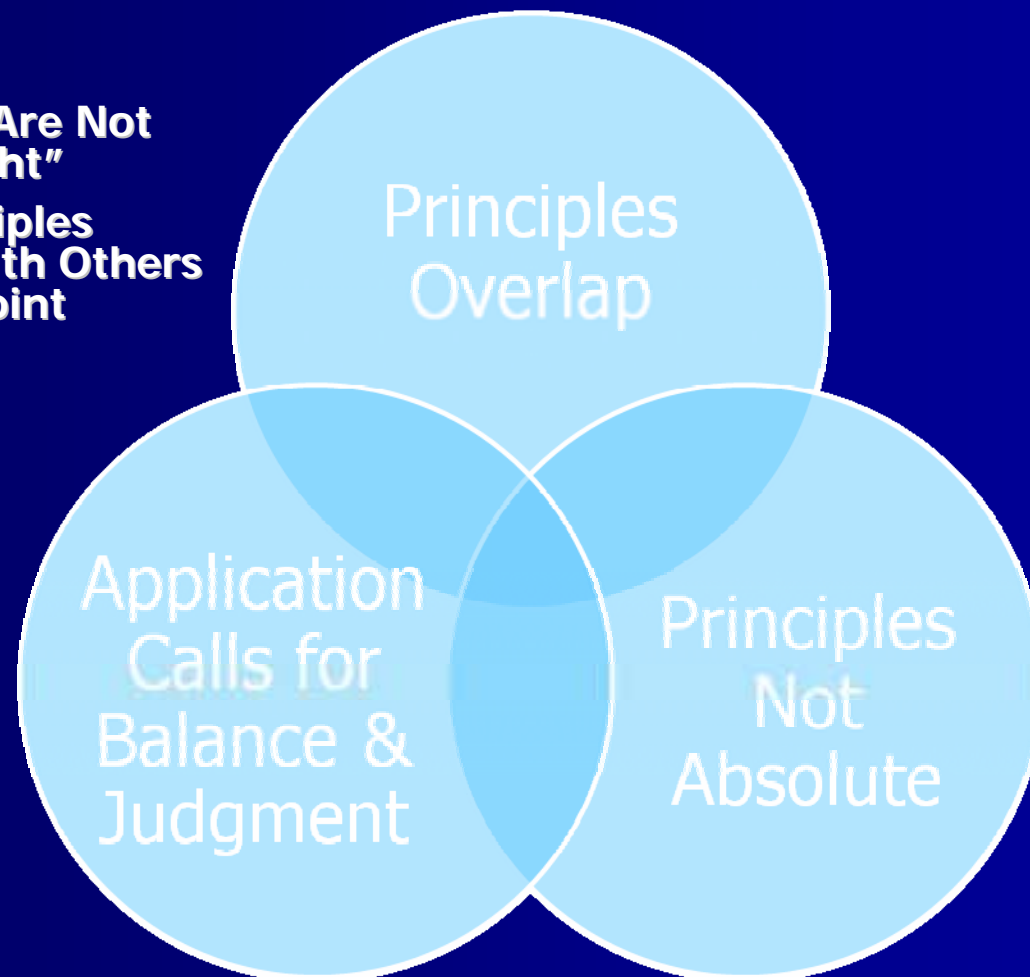
- Governance Models : 9,410,000
- Effective Board Governance: 2,020,000
- Regulatory Board Governance: 1,270,000

# Terminology

- Board = regulatory or voluntary board
- Executive Director = most senior staff person
- President or Chair = elected leader of Board
- Governance =
  - what boards do & how they do it
  - art of steering organization
  - team sport: power, relations,  
accountability

# Defining Principles of Governance Difficult & Controversial

- Principles Are Not “Water Tight”
- Most Principles Conflict With Others at Some Point



# Five Principles Good Governance



# 1. Legitimacy & Voice

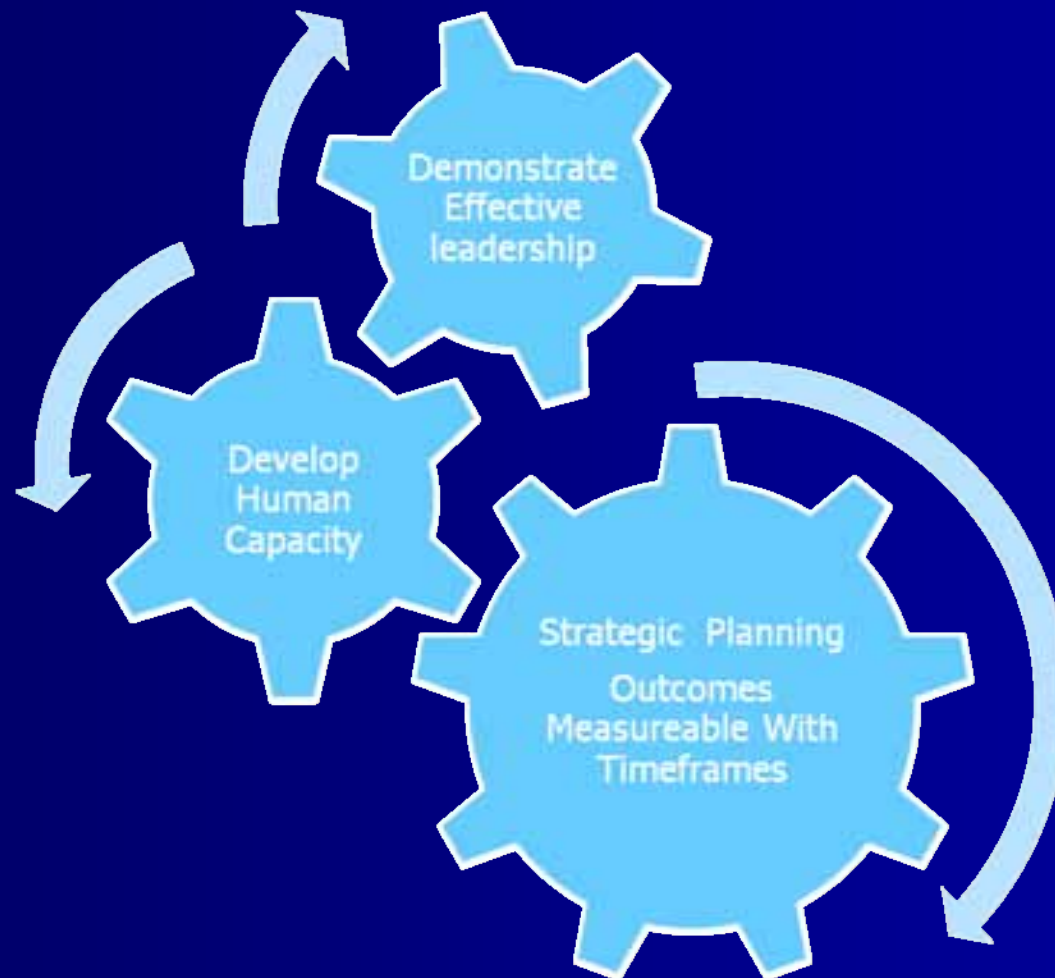
Participation

- 

Consensus Orientation



## 2. Direction



### 3. Performance

- Responsiveness in addressing complaints & criticisms
- Processes or programs produce results & are cost effective in achieving objectives
- Coordinates efforts with players in & outside organization

## 3. Performance Continued

- Capacity to monitor & evaluate key functions & report performance findings to the public
- Adaptive leadership has ability to provide for policy learning & adjust management actions/sails

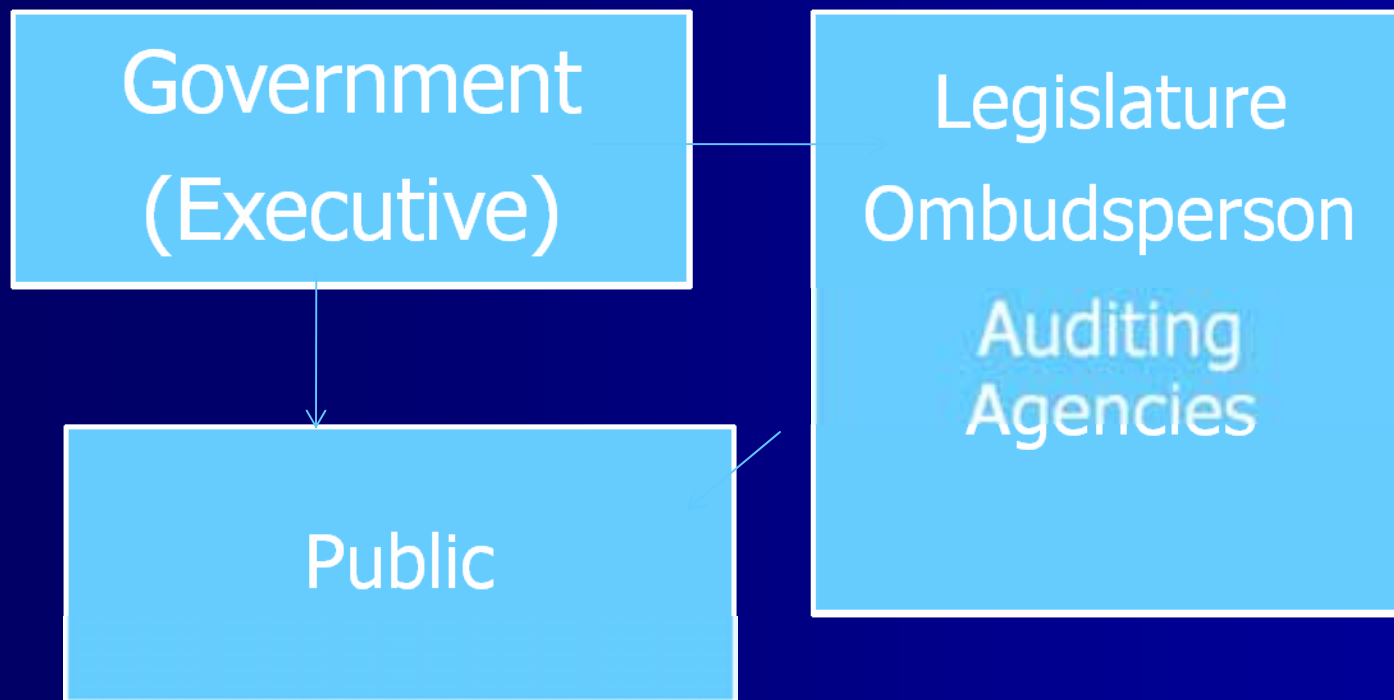
**Adaptive leadership  
has ability to provide  
for policy learning &  
adjust management  
actions/sails**



## 4. Accountability

- Clarity
- Transparency
- Access to information, capacity to analyze & report & ability to get action

# Vertical & Horizontal Accountability



## 5. Fairness

- Assumes laws & rules are transparent, accessible, clear & have basis
- Regulates & restrains use of arbitrary power by government officials
- Upholds rights of persons; affords due process
- Provides for equal treatment & legal frameworks are enforced impartially
- Finds basis for decisions in judicial context & written laws

# Literature Review: Trends & Challenges Facing All Boards

## Five Main Clusters (2006 Bugg & Dallhoff)

Governance &  
Organizational  
Effectiveness

Roles,  
Responsibilities &  
Evaluation of  
Boards

Accountability &  
Risk  
Management

Impact  
Environmental  
Changes on  
Governance

Orientation &  
Education Board  
Members



# Research Findings (2006 Bugg & Dallhoff)

Size & complexity of organization determines governance model

- One size does not fit all

Boards of larger, more complex organization reliant on professional staff more likely to adopt governance model

# **Twelve Principles Common Denominators Critical to Board Performance** (2005 BoardSource)

- **27 Distinguished Leaders**
- **9 Governance Experts**

**Results: common critical governance  
components & actions of exceptional  
boards**

# 1. Constructive Partnerships

- Exceptional boards recognize they are *interdependent* with Executive Director (ED) & staff in supporting the mission
- Exceptional boards face & resolve problems as they share the bad news early & openly
- Exceptional boards are source of support & sounding board for ED

# President Primary Tasks

## Guide, Develop & Coordinate Work of Board

- Invite good questions & debate that fosters collective wisdom
- Lead & Restrain Colleagues
- Guide/stimulate Board Member confidence
- Work harmoniously with Executive Director

# Executive Director Primary Tasks

- **Central Leadership & Administrative Authority in Directing Operations**
- Board has ultimate power & ED immediate power
- Engages Board to make sense of difficult situations, determine what matters, & solve dilemmas

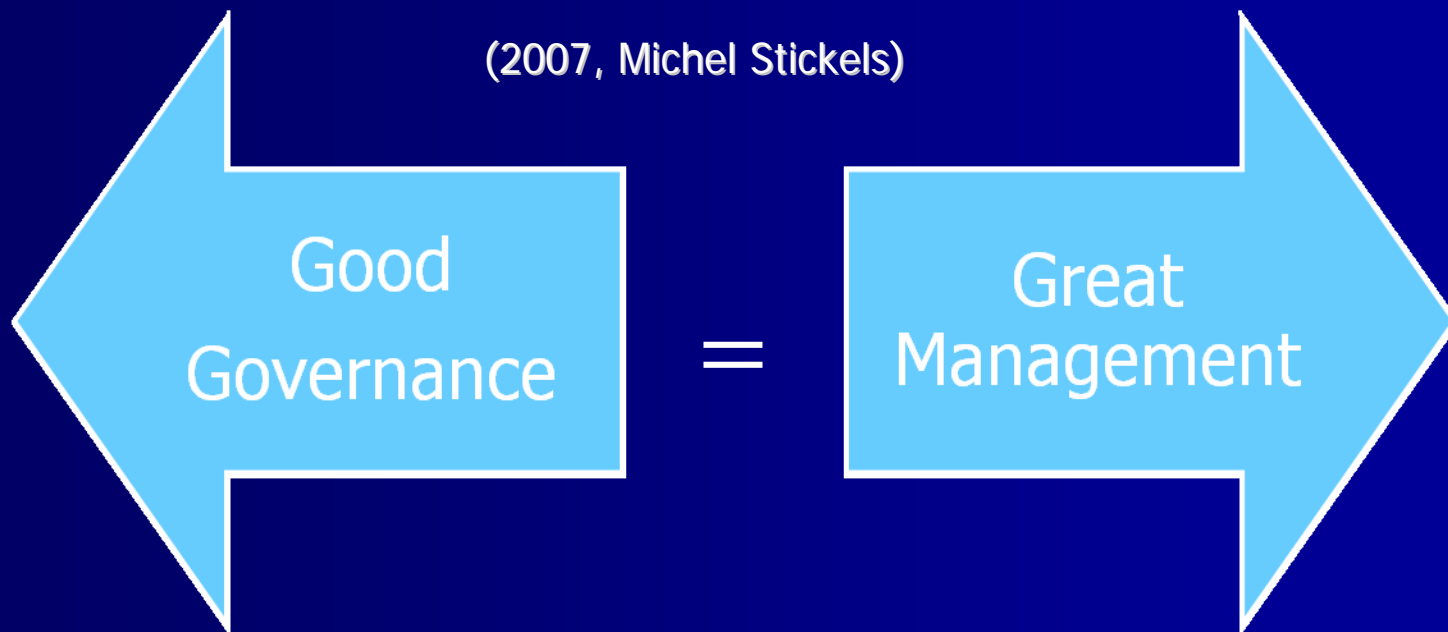
# Partnership & Shared Responsibility

- Governance
- Group Decisions
- Continuous
- Part time
- Ultimate Power
- Administrative
- Single Decisions
- Temporary
- Full time
- Limited/Immediate Power

# Partnership

- “Good governance equals great management & great management equals good governance”

(2007, Michel Stickels)



## 2. Mission Driven

- Exceptional Boards uphold & are custodians of the Mission
- Exceptional Board's vision brings the mission to life
- Board Members & Staff serve as role models



### 3. Strategic Thinking

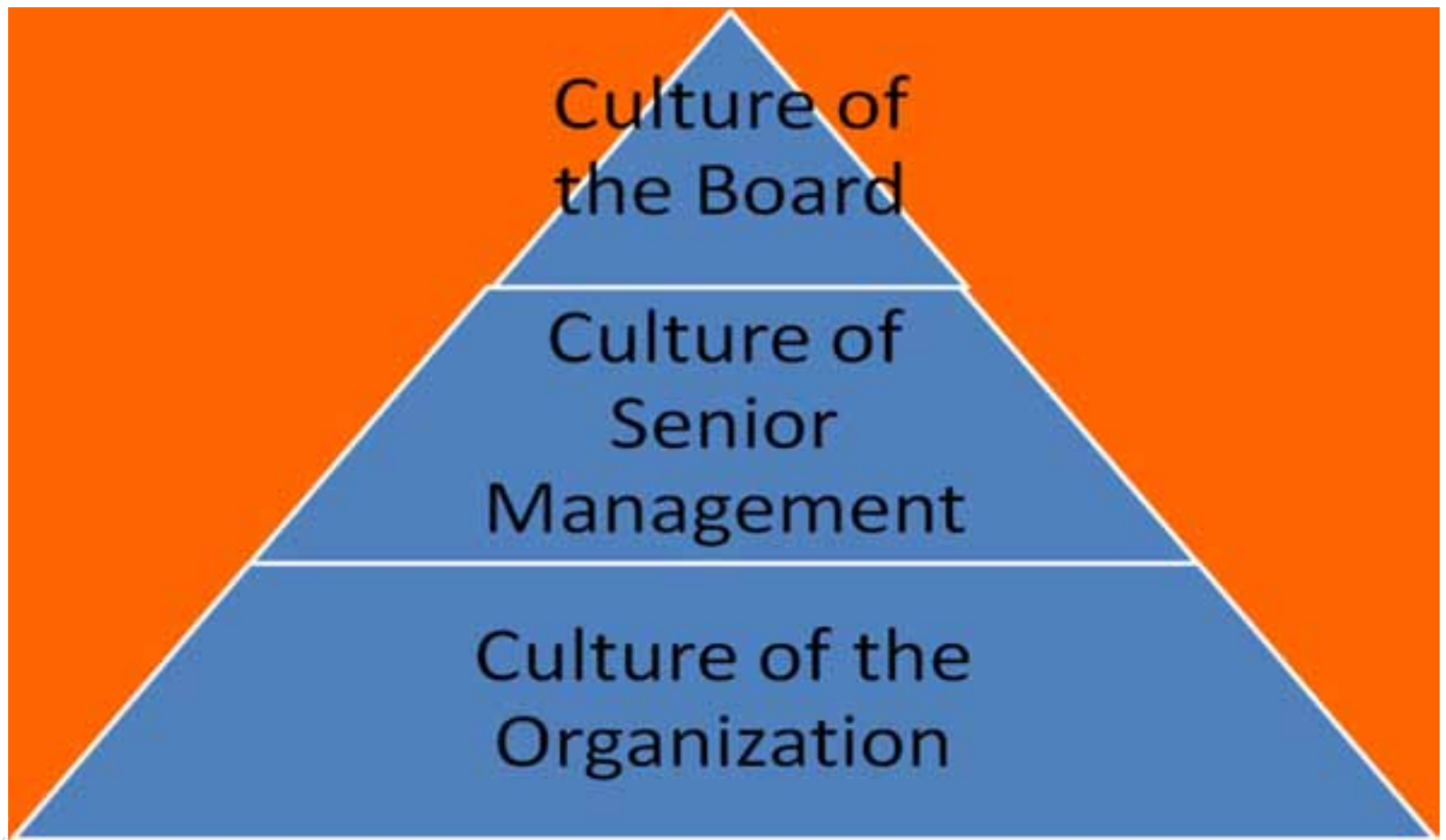
- Exceptional regulatory boards allocate time to what matters most & continuously engage in strategic thinking
- Exceptional Boards provide direction that looks for the horizons in years, not months
- Board looks backwards & forward to understand what has emerged & imagine what is possible

## 4. Culture of Inquiry

- Exceptional boards institutionalize a culture of inquiry, mutual respect & constructive debate that leads to sound & shared decision making
- Success depends on group dynamics
- Board Members “right” for role strengthen board decisions & ask incisive questions

# Culture Starts with the Board

(ATKearney)



## 5. Independent Mindedness

- Exceptional Boards are independent & put interests of organization above all else
- Exceptional Boards rely on deliberations to uncover all facets of an issue & distill perspectives into an educated opinion
- Shift Board role from review to “debate” bringing out diverse perspectives

## 6. Ethos of Transparency

- Exceptional boards promote transparency by ensuring the Board & public has access to appropriate & accurate information regarding decisions & operations
- Board members have equal access to relevant information/materials when making decisions

# Transparency & Glass House Rules

- Boards who have open meeting laws and nonprofits receiving government funding have an additional requirement: Board meetings are open to outside observers
- Turn openness into an attitude
- Facilitate access
- Share right information

# Board Website Opens Windows to Glass House

## Performance Metrics

- Outreach: Key audience members recognize & are familiar with online services
- Relevance: Track application & Nurse Practice Act & other publication downloads
- Access & Collaboration: Track number of public emails

# Board Web continued

- Access Continued: Track number of emails by topic category & response time
- Quality: Board reputation is reinforced by functionality of web site
- Operations: Track diminishing costs of publications; applications
- Track types of phone inquiries & place information on web



## 7. Compliance With Integrity

- Exceptional boards promote strong ethical values & establish appropriate mechanisms for active oversight
- Keep issues on the table & in the room
- Park bad habits & personal hobby horses at the door
- Limit Unnecessary Risk

## 8. Sustaining Resources

- Exceptional boards link bold programs & ambitious plans to financial support, expertise & networks of influence
- Exceptional boards work with the Executive Officer to ensure that the organization has the infrastructure & internal capacity it needs, such as qualified employees, adequate technology & appropriate facilities

## 9. Results Oriented

- Exceptional Boards are results oriented & measure the performance of programs & services
- Focus is on outcomes & not inputs
- Monitor progress toward goals

# 10. Intentional Board Practices

- Exceptional Boards structure themselves to fulfill the governance duties & support organizational priorities
- Exceptional Boards use board member time wisely
- “ A good Board is a victory, not a gift”

(Cyril Houle, W.K. Kellogg Foundation)

# 11. Continuous Learning

- Exceptional boards evaluate their own performance & embrace learning & assess the value they add
- Exceptional boards invest time & resources in board development
- Board time for development is underestimated

# 12. Revitalization

- Exceptional boards energize themselves through board member engagement & inclusiveness
- Exceptional boards value fresh perspectives & experience smooth transitions

# Principles of Effective Regulatory Governance

- Regulatory Board adequately resourced & supported
- Capacity to carry out mission & avoids undue influence by those it regulates & has political support
- Public understands the regulated group – who they are & expectations
- Public assists in the enforcement activities
- Ongoing evaluation of the Regulatory Board Programs – sensitive to enforcement difficulties & public reactions

# Governance Principles For All Organizations Remain the Same

## *National Study of Board Governance Practices Findings:*

- Adoption of Board practices - ensure balance of resources available & value/benefit derived
- Inventory of practices - starting point for wisdom to design practices that work within particular context & environment
- Governance performance measurements are complex – proceed with caution



# **Building Inventory Successful Governance Practices**



# Successful Governance Practices

Function Lower Levels

- Responsible
- Unengaged
- Underperforming

Function Highest Levels  
Highest Collective Capacity  
Intentional Practices  
Add Value  
Highest Level Knowledge & communication

- Exceptional
- Engaged
- Maximally Functioning

# Inventory Successful Governance Practices

- Policies provide guidance to board to govern, are reviewed regularly & publicly disclosed
- Board spends more time on education & development & person responsible for briefing board is effective

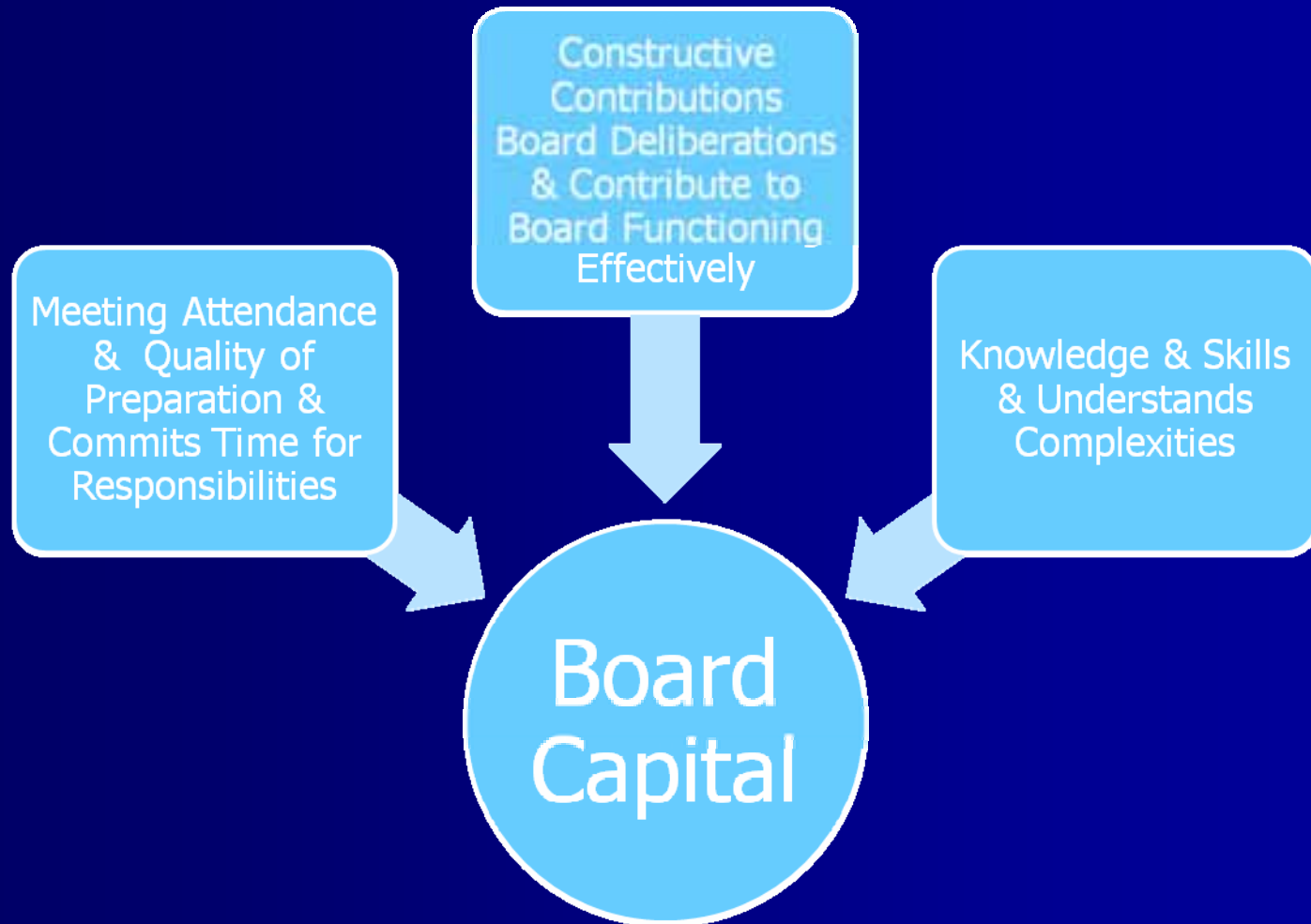
# Successful Practices Board Development (2007, Brown)



"Board development practices lead to more capable board members & presence of these board members tends to explain board performance."

# Successful Practices continued

## Evaluates Individual Board Member Performance



# Successful Practices

Evaluates Overall Board on Strongest Indicators of Organizational Performance

Board Engagement in Strategic Planning

Board & ED Led Common Vision

Pro  
Change  
Core Group

Good Meeting Management

Low Levels  
Internal Conflict

# Governance Effectiveness Quick Check

(2005, Gill, Flynn, Reissing)

	AS-5	A-4	ASW-3	DSW-2	D - 1	DS- 0	Score
Adequate Orientation							
Engaged in Planning & Direction							
Evaluates ED							
Fiscal Soundness							
Role Clarity Board/ED							
Efficient Use Resources							
Credibility							

Commitment to Mission	AS-5	A-4	ASW-3	DSW-2	D-1	DS-0	Total Score Divide 15
Compliance Statutes/Bylaws/ Policies							
Limited Conflict Between Board Members							
Board-ED Productive Partnership							
Confidence/Skills Crisis Management							
Meetings Well Managed							
Sound Decision Making Processes							
Balance Stability & Innovation							



# Successful Practices<sub>continued</sub>

- Board Members sit on at least one committee
- Board conducts formal evaluation of ED based on preset criteria
- Board has formal policies related to risk & crisis management & have assigned to one person

# Successful Practices Continued

- Board has strategic vision; goals are measurable & monitored
- Board follows delineated work plan based on strategic initiatives which drives board agendas
- Board sets annual objectives for Board itself

# Successful Practices continued

- Board spends more time in lively debate on strategic issues

# Successful Practices continued

- President needs to have clear mandate & clear motivation to make the board work
- Operate with a balanced budget

# Successful Practices continued

- Board supports improved board governance practices
- Board identifies appropriate board structure
- Written role clarity between board & staff
- Productive executive director –board relationships

# Successful Practices continued

- Board shifts from succession policy to “successor readiness” with informal succession readiness plans
- Identifies & develops leaders
- “Leadership Pipeline” results in number of qualified Board Member prospects each year

# Successful Practices continued

- Complete a formal assessment of current Board's skills
- Board shapes agendas & conducts effective meetings

# Successful Practices continued

- Sufficient information & data provided in advance to make informed decisions



# Successful Practices continued

Information comes from Executive Director & other information sources

- Management Reports
- Management discussions
- Electronic Dashboards
- 3<sup>rd</sup> Party Reports

# Successful Practices continued

- NIFO = “Noses in, fingers out”
- HIHO = “Heads in, hands out”
- Old Mantra : “management does & board assures”
- New Mantra: “board manages intersection competence & integrity”

# Successful Practices Continued

- Board understands risk/crisis management & develops policies
- Board enhances transparency & accountability
- Board increases public/stakeholder trust

# Successful Practices continued

What Makes Great Board Great  
(Professor Jeffrey Sonnenfeld. Harvard)

- Open communications, trust & candor & respect within Board & organizational leaders

Board Culture invites different  
opinions & constructive dissent.



# Successful Practices continued

- Board takes advantage of new technologies to communicate organizational performance

# Successful Practices

## Orientation New Board Members

- Board Manual 72%
- Formal Orientation & Staff Presentations 47%
- Mentors Assigned 31%
- Informal meeting with President
- Attend Board Meeting Before Appointment
- CD/DVD Actual Board Meeting
- Website Section for Board Members

# Successful Practices

## continued Orientation

- Board members asked to evaluate the orientation process
- Correlation between orientation process & time it took for board members to be competent is average of 6 months

(2006, National Study of Board Practices in Non-Profit & Voluntary Sector Canada)



# Successful Practices continued

Average Hours

Board Member Ongoing Education 0-10 hours/year

## #1 Retreats 72%

- External Speakers/Consultants 58%

- Conferences 51%

- Education & Development part of each board meeting 39%

# Successful Practices continued

## Board Methods to Monitor Meeting Efficiency

- Self evaluation/debriefing end of meeting
- Evaluation of President & processing meeting
- Meeting evaluation tool

# Successful Practices continued

Board Governance Effectiveness

Healthy Culture

Culture promotes trust & environment  
conducive to constructive debate

A red rectangular road sign with a white border and the words "WRONG WAY" in large, white, sans-serif capital letters. The sign is mounted on a metal pole and is tilted slightly to the right. The background is a bright blue sky with scattered white clouds. Overlaid on the left side of the sign is the text "Warning Signs Board Governance Going Down Wrong Road" in a bold, black, sans-serif font.

**Warning Signs  
Board  
Governance  
Going Down  
Wrong Road**

# Impediments Effective Board Governance

(2004,ATKearney)

- Lack of processes to provide early warning signs
- Inadequate amount & type of information
- Ineffective board culture
- Insufficient discussions with management
- Not enough time
- Board Members unwilling to challenge Executive Director
- Lack of competencies of Board Members

# Early Warning Signs Board Performance Issues

(2002-2004, Institute of Governance- Study 30 Nonprofit Boards)

- Persistent failure to meet performance targets/goals
- Relying too much on board/staff longevity & not on outcomes
- Role confusion between ED & Board
- Low participation in deliberations at meetings
- Poor meeting management

# Warning Signs continued

- “DRIP” Reports – data rich but information poor
- “Kitchen Sink Reporting” – too much data for Board to understand significance of warning signs; may be used later to claim reporting out
- Talking about minnows when whales are needing to be discussed







# Warning signs continued

- Board culture supports underground communication
- Unresolved conflicts within the board
- Board Meetings feel removed from what is “going on”
- Board divided into competing factions
- Decision making is typical “rubber stamping” recommendations

# Warning Signs Between Board & Staff

- ED forbids/discourages communication between board & staff
- Insufficient communication other than financial
- Lack of respect
- Board only has relationship with ED
- Board is supportive but hands off

# Warning Signs Continued

- Resentment of board by staff;  
high level of distrust;  
staff view board as obligation &  
distraction;  
board does not have sense of work  
pressure of staff
- Executive Director resistant to board

# Warning Signs continued

- Focus is on operational detail versus strategic thinking
- Decisions are typically deadlocked
- Chronic unmanaged deficits

# Warning signs continued

- Ambiance of meeting not conducive to critical thinking & learning from one another
- Small coalition of board members dominate board discussions & decisions
- Board members fearful of offending dominating colleagues

# Warning Signs Amongst Board Members

- One/more Board Members cause tension
- Issues between President & Board Members
- Cliques



# Governance Performance Measurement

- Metrics for measuring board governance performance significant challenge
- Most of the methods are elements of an evaluation rather than specific metrics
- Challenge to differentiate effectiveness of board & effectiveness of organization
- Some questions if measurement should be one & the same



# Measurement Tension

- Not everything that can be counted, counts.

And not everything that counts can be counted (2006, Jeanne Bell)

- Rigorously question each metric & ask:  
“So what” & “Who cares?” “What would we really be able to do if we knew this?”  
Looking for information to make decisions

# Governance Metrics

- Measure over time – both qualitative & quantitative measures
- Metrics hold up a mirror & the picture we see isn't always flattering
- Metrics should make management uncomfortable or they may not be the right metrics (2006, Love & Resnick)

## Elements: Performance Dashboard

- Agreed upon what matters which indicators
- Agreed upon targets measures
- Engage staff across roles & departments
- Engage staff & board to monitor & analyze trends for management action
- Dashboard tied to Strategic Plan

# Airplane Navigation Dashboard



# Poll

- Do you include some kind of summary, visual report with your reporting package to the Board Members?

■ \_\_\_\_yes

■ \_\_\_\_no

# Example

Indicator	Target	12 months ago	6 months ago	This month
Cycle Time Investigative Reports to Board	6 months	7.1 months	6.3 months	5.9 months
Cycle Time Hearing Department Cases To Board	12 months	18 months	15 months	12 months

# Finance Metrics

Indicator	Target	12 months ago	6 months ago	This quarter
Net surplus or deficit YTD compared to YTD Budget	On budget	\$26,000 worse	\$66,000 better	\$18,000 better

# Education Outreach Metrics: Nurse Practice Act

Indicator	Target	4 months ago	2 months ago	This month
Down Loads NPA Website	5,000 month	6,500 month	5,300 month	7,500 month
Website Nurse Practice Act Test Takers	500 month	1,000 month	1,000 month	1,000 month



# Licensing Program Metrics

Indicator	Target	12 months ago	6 months ago	This Meeting
<b>Cycle Time Application Processing – Printing License</b>	<b>2 days from time of application completion</b>	<b>3 days</b>	<b>3 days</b>	<b>1.7 days</b>

# Online Licensure Renewals Metrics

Indicator	Target	June 2006	This Month	June 2007
Percentage Online Renewals Completed	90%	70%	40% increase over year to date 2006	

# Governance Metrics

Indicator	Target	12 months ago	6 months ago	This Meeting
Board Development	1 Topic Covered Each Meeting	1	1	1
Informal Management Discussions	Held Each Meeting	0	1	1
Board Recognizes Early Monitoring Alerts & Assists	Risks Monitored & Policies Updated	0	1	1

# Priority 1 High Risk/Harm Investigative Cases

Indicator	Target	6 months ago	This Meeting
Number Priority 1 Cases Exceeding Cycle Times	Not Greater 180 days	3	0

# Summary

- Governance principles are common across the public, private & nonprofit sectors & therefore can be applied to address governance challenges beyond the traditional governmental model
- Explored compendium of good governance practices leading to better regulatory outcomes
- Explored principles for defining exceptional governance
- Described Impediments & Warning Signs of Ineffective Governance
- Explored Ways to Measure Effectiveness of Regulatory Boards

# Challenge to Nursing Regulatory Leaders

- Develop successful governance practices not currently found in the literature
- Explore capacity building initiatives & pilot projects to expand the body of knowledge for exceptional governance in regulation

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